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31 JAN 1978

MEMORANDUM FOR THE RECORD

SUBJECT: Conversation with Dr. Brzezinski,
31 January 1978

1. Had a good discussion on the Ogaden situation and his anxieties over it. He feels it's going to be a major problem between us and the Soviets with both domestic and international implications if it appears that we lose too much. He may have an NSC meeting on this probably late next week after Sadat's visit.

2. Brzezinski indicated he would probably be convening an SCC on counterintelligence in the next two weeks. I suggested we try to get Judge Webster there.



STANSFIELD TURNER
Director

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*Sensitive info contained
in 2 separate memos -- see
DCI Eyes Only file.*

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Proposed Press Statement on Energy Studies

CIA has not found any serious dispute with principal conclusion:

Soviet oil production will decline in 1980's.

Issues:

1. How soon or

How rapidly will drop off

2. What impact will this have.

Again remind: Study is not related to issue of total reserves in Soviet Union or world. Only to what we can have access to in next 8-10 years.

CIA consulted most of those organizations/individuals who have expressed dissenting news -- Director met personally with five top oil experts.

Disagreements are on how rapidly Soviet production will decline -

CIA study relies largely on indicators of water encroachment and on indicators of amount of reserve being developed to replace existing fields when exhausted.

Of course there is reason to question CIA prediction --

Soviets don't share their oil statistics.

Our conclusion is not, as reported in press, based primarily on statistics of our oil industry -- we are out ahead of them.

Are preparing for public release more details
of how reached this conclusion (when?).

Also releasing an unclassified report on Chinese
production.

We recognize significance this prediction on world energy situation.

After consultation with outside oil consultants'

companies --

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On second issue, of what impact a decline in oil production
would have on the Soviet economy, there is even greater uncertainty--
the CIA study said that with the predicted rate of growth of demand
in Soviet Union and its European satellites and the predicted decline
in production, by the early 1980's, the Soviets would be in a position
of needing to import 3.5 - 4.5 million barrels of oil a day. A number
of outside authorities have questioned whether it would be reasonable
to expect the Soviets to make such imports. We are inclined to think
that the Soviets will either elect not to do this or will be virtually
unable to pay for imports on this scale.

If our prediction on their supply and demand situation is correct,
however, the way in which they avoid importing oil will have immense
consequences for both the Soviet Union and the rest of us. They can
take a number of approaches.

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- 1) Reduce exports to their satellites-- currently running at 1M barrel a day.
- 2) Effect conservation measures at home. In view of the fact that their economy is much less profligate with the use of oil than ours or even the European, such measures would have a more serious impact, e.g.
 - a) they might be forced to lower national economic growth
 - b) they might elect to divert resources from military affairs
 - c) they might be more constrained in investment and aid programs overseas.
- 3) They might effect combinations of the above alternatives and in addition, enter the world oil markets for some portion of their deficit.

As a result of these studies and the attendant publicity on them, CIA is working to identify the indicators of which of these directions the Soviets may take; and then will attempt to observe what in fact occurs. As is obvious, the course the Soviets take may have important consequences for all of us, since they will not admit to their problems or publish statistical data that would help the world react in concerted, rational manner. Only by collecting good intelligence on the Soviet oil position can we protect the interests of our nation and others.